

Message Text

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C O N F I D E N T I A L LUSAKA 0285

LIMDIS

FOR ASST SECY SCHAUFELE

EO 11652: GDS

TAGS: EFIN, EGEN, ZA

SUBJECT: ZAMBIA SOLICITS US INVITATION TO DISCUSS ECONOMIC
SITUATION AND NEEDS

REF: LUSAKA 2142 AND 2394

1. SUMMARY. IN TWO SEPARATE CONVERSATIONS OF FEB 2 - ONE
WITH PRESIDENT'S ECONOMIC ADVISER LISHOMWA, THE OTHER WITH
CENTRAL BANK GOVERNOR KUWANI - BOTH DELIVERED FOLLOWING
MESSAGE LOUD AND CLEAR. PUBLICATION OF ZAMBIA'S DEFICIT
BUDGET FOR 1976, PROVIDING ABSOLUTELY NO RPT NO TAX RETURNS
FROM COPPER WHICH HAD BEEN MAINSTAY OF ZAMBIAN GOVT REVENUES
AND FOREIGN EXCHANGE AVAILABILITIES THROUGHOUT THE COUNTRY'S
11 YEAR HISTORY, UNDERSCORES ZAMBIA'S CRITICAL ECONOMIC AND
FINANCIAL POSITION (LUSAKA 0282). BUDGET SHOWS NO RPT NO
PROVISION FOR COVER OF 1975 \$280 MILLION B/P DEFICIT AND
NO RPT NO COVER FOR EXTERNAL FINANCING NEEDS OF BETWEEN \$380
MILLION AND \$570 MILLION (DEPENDING ON TRANSPORT) OF TWO MAJOR
COPPER COMPANIES FOR THEIR ONGOING OPERATIONS IN 1976.
MESSAGE CONCLUDES: THE UNITED STATES MUST UNDERSTAND
ZAMBIA'S PLIGHT, RELATED AS IT IS TO DEPRESSED ECONOMIC
CONDITIONS IN WORLD, ESPECIALLY IN UNITED STATES. USG MUST
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MAKE A GESTURE, "EVEN THE SMALLEST", THAT IT IS DISPOSED

TO OFFER ASSISTANCE. RECOMMEND AF AT POLICY LEVEL EXTEND INVITATION FOR APPOINTMENT DURING WEEK OF FEB 9 TO CENTRAL BANK GOVERNOR KUWANI TO DISCUSS PROBLEM AND EXPLORE POSSIBLE USG ASSISTANCE. END SUMMARY.

2. DISCUSSION WITH LISHOMWA RELATED MAINLY TO UPCOMING CIEC COMMISSION MEETINGS IN PARIS (SEPTEL). PRESIDENT'S ADVISER MADE REFERENCE TO ABORTED ZAMBIAN ECONOMIC MISSION TO US FIRST BROUGHT ABOUT BACK IN OCT BY CENTRAL COMMITTEE MEMBER MULEMBA. LISHOMWA SAID THERE NO POINT NOW IN SENDING AN ECONOMIC MISSION TO US UNLESS THERE SOME SIGNAL FROM WASHINGTON THAT ZAMBIA IS ON SOME PRIORITY LIST FOR ASSISTANCE. SAID 1976 NATIONAL BUDGET SHOULD PROVIDE AMPLE FACTS AND FIGURES ON COUNTRY'S STRAINED POSITION. LISHOMWA MADE POINT OF SAYING HOW EMBARRASSING IT WAS FOR NEEDY DEVELOPING COUNTRIES TO KEEP ASKING, BUT ALWAYS TO BE PUT OFF ON GROUNDS FINANCING NOT AVAILABLE, NOT BUDGETED FOR, AND IN CASE OF US, DOES NOT HAVE CONGRESSIONAL SYMPATHY OR AUTHORITY, ETC.

3. GOVERNOR KUWANI WAS EVEN MORE OUTSPOKEN IN SEPARATE CONVERSATION. SAID GRZ LOOKED TO US FOR SOME SIGN OF RECOGNITION OF ZAMBIA'S FINANCIAL DIFFICULTIES AND NEEDS, AGGRAVATED AS THEY ARE BY ANGOLAN WAR, RHODESIAN SITUATION, AND EFFECT THESE HAVE HAD ON ZAMBIA'S TRANSPORT ROUTES. KUWANI CONFIRMED HE LEAVING EVENING FEB 2 "TO GO SHOPPING" IN EUROPE, US AND CANADA. KUWANI ASKED HOW DOES ONE PUT FORWARD ITS CASE FOR HELP, HOW DO WE TAKE THE INITIATIVE? ASKED WHY USG "STANDS IDLY BY" WHEN FRIENDS ARE IN NEED. USG SHOULD RECOGNIZE THAT SOONER OR LATER IT WILL HAVE TO HELP; WHY NOT EXTEND AN INVITATION NOW TO DISCUSS THE PROBLEM SO AS TO MAKE THINGS EASIER.

4. KUWANI SAID HE WOULD BE IN US WEEK OF FEB 9 IN COMPANY OF FINANCE PERM SECY WALUSIKU WHO HAS APPOINTMENT FEB 9 AT WORLD BANK. WALUSIKU ALSO EXPECTED TO VISIT EXIM BANK RE CAPITAL EQUIPMENT NEEDS OF MINES FOR WHICH GRZ NOW PREPARED TO GIVE GUARANTEES (LUSAKA 0276). KUWANI WILL BE CANVASSING "FRIENDS" IN NEW YORK AT BANK OF AMERICA, CHASE
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MANHATTAN, MANUFACTURERS HANOVER TRUST AND LOEB RHODES. HE OBVIOUSLY WOULD WELCOME AN INVITATION, PRESUMABLY AT POLICY LEVELS IN STATE, AID AND TREASURY TO DISCUSS ZAMBIA'S CURRENT FINANCIAL CRISIS.

5. COMMENT AND RECOMMENDATION: IT SEEMS THAT SOMEWHERE IN COURSE OF MULEMBA'S FUMBLE IN HANDLING GRZ ECONOMIC MISSION TO US LAST FALL ZAMBIAN PRIDE WAS WOUNDED FOR LACK

OF AN IMMEDIATELY FORTHCOMING USG RESPONSE. MISTAKEN IMPRESSION
HAS SINCE DEVELOPED THAT GRZ SHOULD GO
HAT-IN-HAND TO WASHINGTON WITH A COMPUTER READ-OUT
OF ITS FINANCIAL SITUATION. IT REFUSES TO APPEAR
AS A BEGGAR; THUS ADVANCED FIRST VEILED AND NOW OPEN HINTS
FOR AN INVITATION FROM US SIDE. AM ALSO CONVINCED KAUNDA
MAY FEEL HIS MESSAGES TO US (PASSED THROUGH CHONA TO ME
AND ASSERTING HIS BELIEF THERE ARE SUBSTANTIAL POLITICAL
GROUNDS--AS IN CASE OF ZAIRE--FOR US FINANCIAL ASSISTANCE
TO ZAMBIA) HAVE BEEN IGNORED BY WASHINGTON.
IN HIS CONVERSATION WITH ME, LISHOMWA HINTED AT INJURED
ZAMBIAN PRIDE EXTENDING FROM STATE HOUSE THROUGH ECONOMIC
BUREAUCRACY.

6. THIS ATTITUDE UNFORTUNATE AND NEEDS TO BE DISPELLED,
PERHAPS BEST THROUGH AN INVITATION TO GOVERNOR
KUWANI FROM ASSTY SECY SCHAUFELE TO MEET WITH HIM AND SENIOR
AF ECONOMIC ADVISERS AND AID IN WASHINGTON WEEK OF FEB 9
TO DISCUSS ZAMBIA'S ECONOMIC AND FINANCIAL SITUATION,
EXPLORE POSSIBLE WAYS BY WHICH USG MIGHT CONTRIBUTE TO
ALLEVIATING IT, AND EXPLAIN CONSTRAINTS ON OUR OWN RESOURCES
AND CAPABILITY.

7. TIME PROBABLY DOES NOT PERMIT A FAVORABLE REPLY TO CATCH
KUWANI BEFORE HIS DEPARTURE FROM LUSAKA THIS EVENING BUT
INVITATION COULD BE EXTENDED THROUGH EMBASSY LONDON WHERE
KUWANI WILL BE PART OF THIS WEEK; OR THROUGH ZAMBIAN MISSION
TO UN IN NEW YORK WHERE HE WILL BE CHECKING IN WEEK OF FEB 9.

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